

1999 Report to Joint Committee on Transportation Oversight

Executive Summary

Introduction

The Missouri Department of Transportation (MoDOT) is pleased to present its 1999 report to the Joint Committee on Transportation Oversight. This executive summary highlights information and conclusions that explain how MoDOT preserves, enhances and supports Missouri's transportation system.

The report includes a review of planning, project status, funding and financial statements. The department retained KPMG Peat Marwick, an independent public accounting and auditing firm, to audit the department's financial statements. KPMG reviewed MoDOT's \$1.3 billion in expenditures, but did not audit other agencies' use of monies appropriated from highway funds. Other agencies received a total of \$167 million in highway funds during fiscal 1999.

This is a comprehensive annual report, and the department will gladly provide additional information on its operations, budgeting and project selection upon request.

The statute under which the report is submitted is shown in the next section of this report. The applicable sections of the statute are shown before each section in the Executive Summary and in the full report. The comprehensive report is available on the Internet at **www.modot.state.mo.us**, and at the department's 10 district offices and the Support Center in Jefferson City.

1. Financial Statements

The information in this section is in accordance with the following section of the reporting statute. *"2. The department of transportation shall submit a written report prior to November tenth of each year to the governor and every member of the senate and house of representatives which shall contain the following:*

(1) A comprehensive financial report of all funds for the preceding state fiscal year which shall include a report by independent certified public accountants, selected by the commissioner of the office of administration, attesting that the financial statements present fairly the financial position of the department in conformity with generally accepted government accounting principles. This report shall include amounts of:

- (a) State revenues by sources, amounts of federal revenues by source;*
- (b) Any other revenues available to the department by source;*

(c) Funds appropriated, the amount the department has budgeted and expended for the following: contracts, right-of-way purchases, preliminary and construction engineering, maintenance operations and administration;

(d) Total state and federal revenue compared to the revenue estimate in the fifteen-year highway plan as adopted in 1992. All expenditures made by, or on behalf of, the department for personal services including fringe benefits, all categories of expense and equipment, real estate and capital improvements shall be assigned to the categories listed in this subdivision in conformity with generally accepted government accounting principles; ..." Section 21.795.2, RSMo Supp. 1998.

As part of the annual report legislation, MoDOT is required to have its financial data audited by an independent accounting and auditing firm. MoDOT retained KPMG Peat Marwick, which reviewed the department's financial statements for the fiscal year that ended June 30, 1999.

The audit reviews the financial operations of the \$1.3 billion dollar agency responsible for building and maintaining the 32,000-mile state highway system, as well as for planning and distributing funds for the state's aviation, waterways, railroads and transit needs. MoDOT has facilities in every county in the state and has over 6,000 employees providing services to the citizens of Missouri.

The 1999 audit report noted improved financial reporting by MoDOT in providing a Combined Statement of Revenues, Expenditures, and Changes in Fund Balance and in MoDOT's reporting of its component units (transportation corporations and transportation development districts).

The 1999 audit notes the department provided supplemental information indicating its Year 2000 readiness. However, this data was beyond the scope of the KPMG review. They did not evaluate MoDOT's Year 2000 readiness or provide any basis for reliance thereon by any user of the financial statements. MoDOT has completed a comprehensive review of its readiness for Year 2000 and has prepared the department's systems to operate without interruption as the year changes.

Detailed financial information is in Section 1 of the Report to the Joint Committee on Transportation Oversight.

2. Program Changes

A. Criteria for Prioritization of Projects

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. *"(2) A detailed explanation of the methods or criteria employed to select construction projects, including a listing of any new or reprioritized projects not mentioned in a previous report, and an*

explanation as to how the new or reprioritized projects meet the selection methods or criteria; ..." Section 21.795.2(2), RSMo Supp. 1998 (emphasis added).

There will be more new construction of roads and bridges, and more resurfacing, in years to come. The 5-Year Program approved in October 1999 established the work to be done in the period 2000-2004. MoDOT will finish the 2000 work in June 2000 and add a year to the program, and the next program will cover 2001-2005. With the exception of improvements specified in sections B and C, schedules for the years 2000-2003 are the same as in the previous year's report.

Projects are determined on the basis of safety concerns, traffic needs and public input. Factors considered in project selection include safety, public comments, pavement condition, congestion, traffic volume and highway connections to other areas of Missouri and other states.

MoDOT reviewed preservation needs last year to determine how much more should be invested in the near future. MoDOT determined at that time that at least \$240 million per year should be invested in the next four years to keep up the system. That's an increase of about \$80 million a year -- 50 percent per year -- over what's been spent in the recent past. Spending at the rate of \$240 million per year on preservation, which is the most that can be done within present fiscal constraints, anticipates meeting preservation goals over a 20-year timeframe. MoDOT's review and public input indicate a 20-year period is too long and that preservation needs should be met more quickly.

MoDOT will continue to invest \$240 million a year in preservation through 2003 because that is the most that can be allocated for preservation in those years. A larger amount probably will be spent on preservation in 2004 and later years. Several hundred million dollars have been set aside for 2004 but have not been specifically allocated. This money will be identified for preservation and other projects in the course of planning future projects. This planning includes a needs study and a Long Range Transportation Plan that will help define the project prioritization process for developing the fiscal 2001-2005 Highway and Bridge Construction Schedule.

Needs studies are conducted regularly to help MoDOT keep pace with changes in transportation demands and the condition of the system. The latest study, when completed in mid-2000, will identify needs and also include methods of determining project priorities.

The Long-Range Transportation Plan guides the course of Missouri's transportation system over a greater time span and is continually updated. The next edition of the plan is expected to be completed in the fall of 2000. The needs study and the long-range plan are initiated and will be completed by MoDOT, but their success depends on public input and public support. MoDOT will work with the public and respond to its transportation needs by tackling the highest priorities first. Obtaining public input, planning projects, completing improvements and following up with the public is a continuous process of quality improvement for MoDOT.

The Highway and Bridge Construction Schedule also includes three years' worth of urban projects that have been approved by the St. Louis and Kansas City metropolitan planning organizations. These organizations are responsible for approving highway projects undertaken in their areas.

More information on project prioritization is in Section 2.A of the Report to the Joint Committee on Transportation Oversight.

B. Projects Reprioritized in the 1999-2003 Highway and Bridge Construction Schedule

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. *"(2) A detailed explanation of the methods or criteria employed to select construction projects, **including a listing of any new or reprioritized projects** not mentioned in a previous report, and an explanation as to how the new or reprioritized projects meet the selection methods or criteria; ..."* Section 21.795.2(2), RSMo Supp. 1998 (emphasis added).

This section identifies projects in the 1999-2003 Highway and Bridge Construction Schedule that were reprioritized in the 2000-2004 Schedule in the course of working with urban planning organizations, adjusting to unforeseen circumstances or amending schedules to accommodate changes in environmental review or right of way acquisition.

An explanation for the change in date is included with each project. Many of the projects -- 70 of them -- are urban improvements authorized by the St. Louis and Kansas City metropolitan planning organizations, which approve highway and bridge construction in the two cities. Metropolitan planning organizations plan only three to four years in advance, and each year urban projects will be added to MoDOT's five-year schedule.

Of other projects changed, 14 were moved back one to two months. Twenty-two projects were advanced a year because greater needs for the improvements were identified. Five projects are the subjects of location studies and award dates are not yet applicable.

The total number of projects reprioritized is 70 urban and 109 in other areas, which represents 20 percent of the projects in the 1999-2003 Schedule.

More information on reprioritization of projects is in Section 2.B of the Report to the Joint Committee on Transportation Oversight.

C. Projects Added in the 2000 - 2004 Highway and Bridge Construction Schedule.

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. *"(2) A detailed explanation of the methods or criteria employed to select construction projects, **including a listing of any new or reprioritized projects** not mentioned in a previous report, and an explanation as to how the new or reprioritized projects meet the selection methods or criteria; ..."* Section 21.795.2(2), RSMo Supp. 1998 (emphasis added).

This section lists projects that were identified after the previous schedule was approved and have been added in the years 2000 - 2003 of the Highway and Bridge Construction Schedule.

An explanation for the change is included with each project. Most of the projects -- 90 -- are urban improvements authorized by the St. Louis and Kansas City metropolitan planning organizations, which approve highway and bridge construction in the two cities. Metropolitan planning organizations plan only three to four years in advance, and each year urban projects will be added to MoDOT's five-year schedule.

Replacement of rapidly deteriorating bridges or pavements is the purpose of 38 projects, which are scheduled on a shorter timeframe to ensure improvements that most need attention are addressed at the appropriate time. Nineteen improvements are portions of larger projects that were listed in last year's program and were separated to facilitate scheduling.

The total number of projects added is 90 urban and 55 in other areas, which represents 17 percent of the projects in the overall schedule.

More information on additional projects is in Section 2.C of the Report to the Joint Committee on Transportation Oversight.

3. Forecast of Planned Expenditures

A. Detailed Work Plan for Five Years (Statewide Transportation Improvement Program)

1. Highway and Bridge Construction Schedule

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. *"(3) The proposed allocation and expenditure of moneys and **the proposed work plan for the current fiscal year, at least the next four years**, and for any period of time expressed in any public transportation plan approved by either the general assembly or by the voters of Missouri. This proposed allocation and expenditure of moneys shall include the amounts of proposed allocation and expenditure of moneys in each of the categories listed in subdivision (1) of this subsection; ..."* Section 21.795.2(3), RSMo Supp. 1998 (emphasis added).

MoDOT has proposed a specific plan for highway construction covering the next five years. The plan relies only on currently anticipated revenues, and it specifies all projects expected to be placed under contract in the years 2000 through 2004. As each year of the plan is completed, a new year is added.

Projects identified in 1992 remain the focus of the Highway and Bridge Construction Schedule. The schedule also allocates much-needed additional funding for road and bridge preservation, as well as some unallocated funds for future economic development purposes and other unforeseen

needs. For the period beyond this five-year time horizon, MoDOT intends to continue focusing on the projects identified in 1992, although preservation and new needs must also be addressed. These needs will become apparent when the needs study and Long Range Transportation Plan are updated next year. Any project not in the Highway and Bridge Construction Schedule is uncertain and may not be built due to lack of sufficient revenues.

The areas addressed in the Highway and Bridge Construction Schedule include the following.

- ◆ safety
- ◆ preservation
- ◆ congestion relief
- ◆ connectivity
- ◆ operational efficiency
- ◆ economic development
- ◆ non-motorized options

Meeting the deadlines of the Highway and Bridge Construction Schedule depends on funding at anticipated levels, meeting environmental requirements, resolving legal issues, and obtaining concurrence from local planning organizations in project selection and funding.

More information on the highway and bridge construction schedule is in Section 3.A.1 of the Report to the Joint Committee on Transportation Oversight.

2. Other Transportation Modes

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. *"(3) The proposed allocation and expenditure of moneys and **the proposed work plan for the current fiscal year, at least the next four years**, and for any period of time expressed in any public transportation plan approved by either the general assembly or by the voters of Missouri. This proposed allocation and expenditure of moneys shall include the amounts of proposed allocation and expenditure of moneys in each of the categories listed in subdivision (1) of this subsection; ..."* Section 21.795.2(3), RSMo Supp. 1998 (emphasis added).

More than \$92.7 million in improvements were made to the state's aviation, rail, water and transit facilities during fiscal 1999. Funding for the projects came from federal, state and local governments. Although these improvements addressed many critical issues, numerous other needs will remain important parts of MoDOT's future multimodal programs.

Improvements include \$5.17 million for the state's share of Amtrak funding for operations, advertising and station improvements. This also provided for a rail passenger feasibility study for the St. Louis to Kansas City corridor. Waterways funding included \$444,987 for administrative grants to 12 ports and \$950,000 for four capital improvement projects.

More than \$12 million in state and federal aviation funding was provided for improving and maintaining Missouri airports. Projects included the construction of a new general aviation airport, rehabilitation of four runways, and 11 airfield pavement projects.

More than 225 new vehicles were made available to transportation providers. Operating assistance supporting over 70 million passenger trips statewide was given to about 300 public transportation providers or specialized organizations serving the elderly or disabled. Other accomplishments included a transitway on the Southwest Missouri State University campus; an off-street public transit transfer facility and intercity bus terminal combination in St. Joseph; and bus storage facilities in Clinton and Excelsior Springs.

More information on other transportation modes is in Section 3.A.2 of the Report to the Joint Committee on Transportation Oversight.

3. B. Proposed Allocation and Expenditure of Funds for Fifteen-Year Plan

The information in this section is in accordance with the highlighted portion in the following section of the reporting statute. ***"(3) The proposed allocation and expenditure of moneys and the proposed work plan for the current fiscal year, at least the next four years, and for any period of time expressed in any public transportation plan approved by either the general assembly or by the voters of Missouri. This proposed allocation and expenditure of moneys shall include the amounts of proposed allocation and expenditure of moneys in each of the categories listed in subdivision (1) of this subsection; ..."*** Section 21.795.2(3), RSMo Supp. 1998 (emphasis added).

The 1999 Proposed Allocation and Expenditure of Moneys for the 1992 Fifteen Year Plan reports that the total funds available to construction for the period 1992-2010 are projected to be \$14.9 billion, as compared to the original 1992 Plan estimate of \$12.6 billion. It was estimated in 1998 that \$14.4 billion would be available for construction during 1992-2010. The increase of \$500 million from 1998 to 1999 results from inclusion of incidental income that contains innovative financing provided by others. The cost to complete projects will exceed funds available primarily because of faulty assumptions for project inflation and project growth in the original plan estimates.

More information on Fifteen Year Plan funds is in Section 3.B of the Report to the Joint Committee on Transportation Oversight.

4. Schedule of Funds Expended by Project for Construction Work in Progress FY 99

The information in this section is in accordance with the following section of the reporting statute. *"(4) The amounts which were planned, estimated and expended for projects in the state highway and bridge construction program or any other projects relating to other modes of transportation in the preceding state fiscal year and amounts which have been planned, estimated or expended by project for construction work in progress; ..." Section 21.795.2(4), RSMo Supp. 1998.*

Material in this section compares the cost estimates and expenditures for highway improvements currently in progress. The figures show MoDOT is practicing good fiscal management and is delivering good value for funds taxpayers invest in transportation. Cost estimates at the time projects appeared on the 5-Year Highway and Bridge Construction Schedule are compared with costs, to date, of projects that have been put under contract but have not been completed.

The estimates for all projects in progress total \$1,694,421,000. The contract costs for those projects total \$1,625,942,000. The difference -- \$68,479,000 -- represents a savings of 4.04 percent. These projects are not complete and additional changes may occur before the projects are finished.

More information on funds for work in progress is in Section 4 of the Report to the Joint Committee on Transportation Oversight.

5. and 6. Program Estimates Compared to Costs of Projects Completed in 1999

The information in this section is in accordance with the following sections of the reporting statute. *"(5) The current status as to completion, by project, of the fifteen-year road and bridge program adopted in 1992. The first written report submitted pursuant to this section shall include the original cost estimate, updated estimate and final completed cost by project. Each written report submitted thereafter shall include the cost estimate at the time the project was placed on the most recent five-year highway and bridge construction plan and the final completed cost by project;*

(6) The reasons for cost increases or decreases exceeding five million dollars or ten percent relative to cost estimates and final completed costs for projects in the state highway and bridge construction program or any other projects relating to other modes of transportation completed in the preceding state fiscal year. Cost increases or decreases shall be determined by comparing the cost estimate at the time the project was placed on the most recent five-year highway and bridge construction plan and the final completed cost by project. The reasons shall include the amounts resulting from inflation, department-wide design changes, changes in project scope, federal mandates, or other factors; ..." Section 21.795.2(5) and (6), RSMo Supp. 1998.

In this section, the programmed cost estimates and completed costs are compared. The figures show MoDOT is practicing good fiscal management and is delivering good value for funds taxpayers invest in transportation. MoDOT's performance on the five-year program is at or below estimated costs.

The programmed cost at the time when the construction appeared on the 5-Year Highway and Bridge Schedule is compared with the cost of each project completed in fiscal year 1999. Reasons are provided for projects that indicate a difference of more than 10 percent or \$5 million between the programmed cost estimate and the amount spent on the project.

The project estimates for all projects completed in fiscal year 1999 equaled \$600,155,000. The cost to complete these same projects totaled \$572,962,000. This difference -- \$27,193,000 -- represents a savings of 4.53 percent.

More information on program estimates is in Section 5 and Section 6 of the Report to the Joint Committee on Transportation Oversight.

7. Recommendations for Statutory or Regulatory Changes

The information in this section is in accordance with the following section of the reporting statute. *"(7) Specific recommendations for any statutory or regulatory changes necessary for the efficient and effective operation of the department; ..."* Section 21.795.2(7), RSMo Supp. 1998.

As MoDOT continues working to improve construction and preservation of Missouri's transportation system, it will identify specific concerns to be addressed by legislation. MoDOT will work with the Missouri General Assembly to explore ways to accelerate project completion and enhance programs and operations.

For the 2000 legislative session, some of MoDOT's recommendations include authorization for "design/build," which allows one contractor to design and build a project rather than bid these contracts separately, resulting in significant time savings. This option would be particularly useful for large, complex projects or in response to natural disasters when restoring service is essential.

MoDOT also will propose building, maintaining and operating some highways and bridges with tolls, which would allow them to go into service sooner.

The federal government requires Missouri to pass additional laws to avert drunk driving. If Missouri does not pass these laws in 2000, as much as \$12 million in federal funding will be diverted from highway construction to drunk driving and safety programs. After fiscal 2002, the diversion would total \$24 million per year. MoDOT will advocate passage of these laws in the next session.

More information on recommended statutory or regulatory changes is in Section 7 of the Report to the Joint Committee on Transportation Oversight.

8. Expenditures by Source of Funds by District

The information in this section is in accordance with the following section of the reporting statute. "(8) *An accounting of the total amount of state, federal and earmarked federal highway funds expended in each district of the department of transportation; and ...*" Section 21.795.2(8), RSMo Supp. 1998.

MoDOT is divided into 10 districts that cover the state and work closely with local organizations to provide transportation improvements. Management of statewide issues as well as general guidance, support and leadership are provided by the Support Center located in Jefferson City. Districts handle the details of local expenditures and are held accountable for results. For Fiscal Year 1999, a total of \$1.216 billion in state and federal highway funds was spent in those 10 districts and the Support Center in Jefferson City.

More information on district expenditures is in Section 8 of the Report to the Joint Committee on Transportation Oversight.

Compliance with Legislation

To fully comply with reporting statutes, MoDOT has prepared more than 500 pages of documentation. Following is the complete report outline, listed by the section specified in the legislation. The report is also available on the Internet at **www.modot.state.mo.us**, and at the department's district offices located in St. Joseph, Macon, Hannibal, Kansas City, Jefferson City, Chesterfield, Joplin, Springfield, Willow Springs and Sikeston.

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